



STATE OF IOWA

Cost Benefit Analysis Report

Senate File 2389, Section 49

**Iowa Department of
Administrative Services**
Mike Carroll, Director

January 26, 2011



Iowa Department of Administrative Services

Government's Partner in Achieving Results

Governor Terry E. Branstad

Lt. Governor Kim Reynolds

Mike Carroll, Director

Date: February 1, 2011

Handwritten initials "MC" in black ink, with a horizontal line underneath.

To: Michael Marshall, Secretary of the Senate
Charlie Smithson, Chief Clerk of the House of Representatives
Glenn Dickinson, Director, Legislative Services Agency

From: Mike Carroll, Director
Department of Administrative Services

RE: Senate File 2389, Section 49, Cost Benefit Analysis Report for Office Space

Pursuant to Senate File 2389, Section 49, enacted during the 2010 Legislative Session, please find the department's report regarding the Cost Benefit Analysis Report for Office Space.

If you have any questions or need additional information, please contact Mark Johnson, Legislative Liaison, at 281-4742.



OFFICE SPACE COST BENEFIT ANALYSIS REPORT

Senate File 2389, Section 49

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Senate File 2389, Section 49, called for the Department of Administrative services to conduct a cost-benefit analysis of utilizing existing office space for state employees in downtown Des Moines and other areas in close proximity to the state capitol complex in lieu of replacing or renovating the Wallace Building or relocating any state agencies to any space in the mercy capitol hospital building. The cost-benefit analysis was to include consideration of any cost to the applicable local jurisdiction arising from the state's utilization of existing office space. Companion legislation, Senate File 2389, Section 48, required the department to issue an RFP for downtown office leased space. (Legislative language for sections is included in Exhibit A of this report.)

Costs for Capitol Complex Facilities

This report focuses on costs for more fully utilizing the Mercy Capitol hospital building and the Wallace Building. Mercy Capitol, acquired by the State in December 2009 at a cost of \$4.55 million, contains approximately 260,000 rentable square feet of space. The Wallace Building, constructed in 1977/1978, provides approximately 220,000 rentable square feet of space. Summary information on each building follows.

Mercy Capitol

A feasibility study completed in October 2009 by Shive-Hattery, a West Des Moines based engineering and architectural firm, provided recommendations for utilizing the building for office functions and the report identified \$10 million in building improvements and basic tenant improvements, including roof and window repairs, improvements to the heating, ventilating and air conditioning systems and plumbing system improvements. In general, code requirements for office functions are less restrictive than hospital functions, however, the configuration of the building results in large blocks of interior space with limited access to windows. At the same time, the building provides some large open spaces that are conducive to conference, storage and open office functions. Demolition of the building, including the adjacent Mercy Annex building to the west, is estimated at \$2.15 million.

Simultaneous with the building evaluation, Confluence, a Des Moines based landscape architecture and planning firm, completed an update to the 2000 Capitol Complex Master Plan. The 2010 Master Plan, which has been adopted by the Capitol Planning Commission, calls for utilization of Mercy Capitol as a transition space for office and back office functions until such time as the Capitol Complex grounds north of Des Moines Street are redeveloped. For planning purposes, the Department of Administrative Services is assuming a 10-year useful life for the building, and plans for any improvements at the building are based on that assumption.

Beginning in January 2010, the department allocated up to \$2 million in funds appropriated for tenant improvements and began to make limited improvements to enable selected tenants to move into the building. Current occupants include the following:

Fifth Floor—Iowa College Student Aid Commission (relocated from leased space) and State Long-Term Care Ombudsman

Fourth Floor—Des Moines Area Community College Nursing Program

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Third Floor—Des Moines Area Community College Nursing Program, Certified Nursing Assistant Program and Early Childhood Education Program

First Floor—Governor-Elect’s Transition Team (the space is now vacant)

Ground Floor—Department of Corrections Pharmacy

Basement—Department for Blind Storage (relocated from leased space) and Mercy Hospital Server Farm (mirror site)

These entities are contributing a share for tenant improvements and are charged an annual Association Fee of \$3.29 per square foot. Additionally, Des Moines Area Community College is reimbursing the State for its share of utility costs (estimated at \$2.09 per square foot per year).

Several other agencies have expressed an interest in utilizing the building and the department has developed preliminary scenarios for more fully utilizing the building, which is now less than one third full.

Wallace Building

The Wallace Building has suffered from a variety of problems since it was built, including heating, ventilating and air conditioning problems; leaking walls and windows; and a deteriorating parking deck. With construction of the new Iowa Labs building in Ankeny, most of the laboratory functions moved out of the building in 2006, providing vacant space on the first floor of the building and relieving some of the HVAC problems, but serious questions remained about its future. A feasibility study completed in December 2009 by AMEC E&C, a Minneapolis based engineering and architectural firm, recommended major improvements to the building totaling approximately \$35 million. The report estimated demolition costs for the building of from \$500,000 to \$1 million. The report argued that this major investment would extend the useful life of the building and would be more cost effective than demolition and replacement. Subsequently, an advisory committee appointed by Governor Vilsack recommended demolition and replacement with a new office building instead of renovation. Funds were appropriated and planning was underway for a replacement building, but work was stopped after the floods of 2008 and the money was de-appropriated.

Funds totaling \$2.125 million have been appropriated to the department for short term improvements to the building. Heating, ventilating and air conditioning improvements have been completed. The parking deck has been demolished and replaced with a surface parking lot. Improvements are underway to the fire alarm system and the smoke detection system in the duct work.

Also, Governor Culver’s Executive Order No. 20 called for relocation of Department of Natural Resources staff from leased spaces into unoccupied areas of the building. The Department of Natural Resources maintains two major leases totaling 34,000 square feet at an average cost of \$12.34 per square foot for an annual cost of just over \$424,000 per year. Design Alliance, a Waukee based architectural firm, has completed preliminary planning studies for renovation of the first floor of the building for office and other functions. Work would include opening up former laboratory spaces and converting heating, ventilating and air conditions systems from laboratory systems to office systems. Preliminary estimates for these tenant improvements approach \$2 million, although further study is required and could include agency relocations throughout the building to better organize the spaces. Consideration has also been given to moving some agencies from Wallace to Mercy Capitol.

The 2010 Master Plan calls for short-term utilization of the Wallace Building and recommends this to be the first building to be replaced when funds are available for construction of a new state office building. For planning purposes, the Department of Administrative Services is assuming a 5-year useful life for the building, and plans for any improvements at the building are based on that assumption.

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Downtown Leased Space

In May, 2010, the Department of Administrative Services issued RFP RFP0010005028, LEASED OFFICE SPACE IN DOWNTOWN DES MOINES FOR STATE EXECUTIVE BRANCH AGENCIES and proposals were received on June 17, 2010. The department subsequently issued a Notice of Intent to award on December 6, 2010, although final negotiations are on hold.

The RFP process clearly identified the availability of downtown space and costs associated with it. The costs proposed for space are at the high end of current leases throughout the Des Moines metro area where total annual rental costs for office space range from approximately \$7.70 to \$17.50 per square foot. The department currently manages 30 office leases for approximately 400,000 square feet of space at an annual cost of just under \$5.5 million. This equates to an average cost of \$13.80 per square foot.

Here is summary information from the RFP process:

Range of Component Costs Included in Proposals

Cost Component Sq. Ft. per Year(or as noted)	Low Cost (or included with Office Space)	High Cost
Office Space	\$ 3.91	\$ 17.05
Parking (per Space per Month)	Included or as negotiated	\$ 140.00
Insurance	\$ 0.09	\$ 0.34
Taxes	\$ 0.65	\$ 3.75
Utilities	\$ 0.70	\$ 3.13
Interior Maintenance	\$ 0.61	\$ 8.92
Exterior Maintenance including grounds and parking area	\$ 0.01	\$ 6.25
Landscaping maintenance	N/A	\$ 0.02
Trash Removal	\$ 0.07	\$ 0.15
Snow Removal	\$ 0.10	\$ 0.14
Pest Control	\$ 0.01	\$ 0.02
Custodial Services	\$ 0.81	\$ 1.09
Any Other Applicable Fees or Services	\$ 0.56	\$ 2.02
Other	N/A	\$ 0.47

In some cases, the costs varied by size of the facility to be leased. In some cases, the costs included a tenant improvement allowance or a move in allowance. In some cases, parking was included; in other cases it was not included, or a limited number of spaces were included, or parking was to be negotiated with the City of Des Moines. Specific information relating to costs are included in Exhibit B of this report. Further information on the RFP and resultant proposals are included in the department's report specific to the RFP.

Cost Benefit Analysis

The cost-benefit analysis is based on a combination of actual costs and reasonable cost assumptions. Further details will be provided upon request. For purposes of this report, costs associated with Mercy Capitol are compared to downtown leased space assuming a 10-year term. Costs associated with the Wallace Building are compared to downtown leased space assuming a 5-year term. In both cases the analysis assumes 200,000 square feet of space, although downtown lease costs from the RFP vary depending on the total square footage and a number of permutations are possible for this analysis.

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Mercy Capitol versus Downtown Leased Space

Costs for Mercy Capitol have been calculated as follows:

Mercy Capitol Building		Cost per Square Foot per Year	Annual Cost	10-Year Cost
No. of Years for Analysis	10			
Rentable Square Feet	260,000			
Association Fee		\$3.29	\$855,400	\$8,554,000
Acquisition Value ¹	\$3,786,750	\$1.46	\$378,675	\$3,786,750
Miscellaneous Improvements	\$10,000,000	\$3.85	\$1,000,000	\$10,000,000
Routine Maintenance @ 1% of Replacement Cost per Year ²	\$650,000	\$2.50	\$650,000	\$6,500,000
Utility Costs per Year ³	\$500,000	\$1.92	\$500,000	\$5,000,000
Demolition (Estimated One Time) ⁴	\$2,150,000	\$0.83	\$215,000	\$2,150,000
Sub-Total		\$13.84	\$3,599,075	\$35,990,750
Estimated Cost to Maintain an Unoccupied Building (Discounted in Own v. Lease Comparison) ⁵	\$1,060,000	-\$4.08	-\$1,060,000	-\$10,600,000
Total		\$9.77	\$2,539,075	\$25,390,750

¹ Acquisition Value: For Mercy Capitol, the acquisition value is based on the following:

1. Actual purchase price for 603 E. 12th Street (Mercy Capitol) and 612 E. 12th Street (Mercy Annex)-- \$4,450,000;
2. Less an estimate for the land value based on assessed values from the Polk County Assessor's Office (85% buildings, 15% land)--\$660,000;
3. For a total acquisition value for the building of \$3,786,700.

For purposes of this study, the annual cost of the acquisition value is based on a straight-line depreciation over 10 years, which is the estimated useful life of the building, and in accordance with the 2010 Capitol Complex Master Plan.

² Routine maintenance costs are based on the code requirement for agencies to request 1% of replacement cost annually for routine maintenance. Replacement cost is based on \$250 per square foot x 260,000 square feet.

³ Estimated utility costs are based on consideration of historical costs, current and changing utilization of the building and recent changes to building operations. This is a reasonable estimate for the building, assuming it is more fully occupied than today.

⁴ Demolition costs based on Shive-Hattery report for Mercy Capitol plus a staff estimate for demolition of the adjacent Mercy Annex building.

⁵ The department is requesting an appropriation of this amount to maintain the building, in conjunction with Association fees received from agencies utilizing the building. If the building is not used, and instead agencies are moved to leased space, these costs will continue until the building is demolished. These costs are represented as a discount to the costs of Mercy Capitol. Alternatively, they could be included as a premium to the costs of leased space.

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The Downtown RFP requested up to 200,000 square feet of space. The lowest cost downtown space at 200,000 square feet, with parking and with no tenant improvements, is \$17.38 per square foot for a 10 year term (refer to Exhibit B). The lowest cost downtown space at 50,000 square feet, with parking and with no tenant improvements, is \$14.59 per square foot for a 10 year term. The following tables compares 200,000 square feet at Mercy Capitol with 200,000 square feet of downtown leased space over 10 years, as well as 50,000 square feet at both locations. Both scenarios indicate a considerable savings for utilizing Mercy Capitol versus downtown leased space.

Mercy Capitol—Own versus Lease Comparison (200,000 square feet)		Cost per Square Foot per Year	Annual Cost	10-Year Cost
No. of Years for Analysis	10			
Rentable Square Feet	200,000			
Mercy Capitol Building		\$9.77	\$1,953,135	\$19,531,346
Downtown Lease w/Parking		\$17.38	\$3,476,000	\$34,760,000
Estimated Savings for Mercy		\$7.61	\$1,522,865.38	\$15,228,653.85

Mercy Capitol Own versus Lease Comparison (50,000 square feet)		Cost per Square Foot per Year	Annual Cost	10-Year Cost
No. of Years for Analysis	10			
Rentable Square Feet	50,000			
Mercy Capitol Building		\$9.77	\$488,284	\$4,882,837
Downtown Lease w/Parking		\$14.59	\$729,500	\$7,295,000
Estimated Savings for Mercy		\$4.82	\$241,216.35	\$2,412,163.46

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An alternative approach to the evaluation is to consider a specific agency or division. Iowa College Student Aid was housed in a downtown leased facility at a cost of \$16 per square foot per year. The term was up and the organization considered the Capitol Complex, and specifically Mercy Capitol, as a preferred location versus a lease downtown or at another location. The former Intensive Care Unit on the 5th Floor of Mercy Capitol was identified as a fit. After completion of tenant improvements, the staff is now located on the Capitol Complex. Estimated cost savings over ten years are summarized below.

Case Study: College Student Aid Move to Mercy Capitol		Cost per Square Foot per Year	Annual Cost	10-Year Cost
No. of Years for Analysis	10			
Rentable Square Feet	19,000	\$3.29	\$62,510	\$625,100
Purchase Price (Pro Rata Share)		\$1.46	\$27,672	\$276,724
Tenant Specific Improvements	\$510,000	\$2.68	\$51,000	\$510,000
Routine Maintenance (Pro Rata Share)		\$2.50	\$47,500	\$475,000
Utility Costs per Year (Pro Rata Share)		\$1.92	\$36,538	\$365,385
Demolition (Pro Rata Share)		\$0.83	\$15,712	\$157,115
Discount for Own v. Lease		-\$4.08	-\$77,462	-\$774,615
Total		\$8.60	\$163,471	\$1,634,709
Actual Downtown Lease Costs	12,280	\$16.00	\$196,480	\$1,964,800
Estimated Savings for Mercy		\$7.40	\$33,009.13	\$330,091.35

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Wallace Building versus Downtown Leased Space

Costs for the Wallace Building have been calculated as follows:

Wallace Building		Cost per Square Foot per Year	Annual Cost	5-Year Cost
No. of Years for Analysis	5			
Rentable Square Feet	220,000	\$3.29	\$723,800	\$3,619,000
Acquisition Value ¹	\$12,100,000	\$1.49	\$327,027	\$1,635,135
Miscellaneous Improvements	\$4,125,000	\$3.75	\$825,000	\$4,125,000
Routine Maintenance @ 1% of Replacement Cost per Year ²	\$550,000	\$2.50	\$550,000	\$2,750,000
Utility Costs per Year ³	\$250,000	\$1.14	\$250,000	\$1,250,000
Demolition (Estimated One Time) ⁴	\$750,000	\$0.68	\$150,000	\$750,000
Total	200,000	\$12.84	\$2,825,827	\$14,129,135
Estimated Cost to Maintain an Unoccupied Building (Discounted in Own v. Lease Comparison) ⁵	\$350,000	-\$1.59	-\$350,000	-\$1,750,000
Total		\$11.25	\$2,475,827.03	\$12,379,135.14

¹ Acquisition Value: For the Wallace Building, the acquisition value is based on the following:

1. Actual construction costs and infrastructure improvements for the building from 1978 to June 30, 2010-- \$12,100,000
2. With no adjustments for land value;
3. For a total acquisition value for the building of \$12,100,000.

For purposes of this study, the annual cost of the acquisition value is based on a straight-line depreciation from 1978 to 2015 (37 years), which is the estimated useful life of the building, and in accordance with the 2010 Capitol Complex Master Plan.

² Routine maintenance costs are based on the code requirement for agencies to request 1% of replacement cost annually for routine maintenance. Replacement cost is based on \$250 per square foot x 220,000 square feet.

³ Estimated utility costs are based on actual electrical usage multiplied by an average annual rate for the Central Energy Plant and a pro-rated portion of the Central Energy Plant natural gas costs (based on the ratio of Wallace square footage/total steam loop square footage).

⁴ Demolition costs based on the AMEC report from 2004 (mid-point of the estimate).

⁵ If the building is not used, and instead agencies are moved to leased space, some utility costs and some maintenance costs will continue until the building is demolished. These costs are represented as a discount to the costs of the Wallace Building. Alternatively, they could be included as a premium to the costs of leased space.

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The Downtown RFP requested up to 200,000 square feet of space. The lowest cost downtown space at 200,000 square feet, with parking and with no tenant improvements, is \$17.57 per square foot for a 5 year term (refer to Exhibit B). The lowest cost downtown space at 50,000 square feet, with parking and with no tenant improvements, is \$14.79 per square foot for a 5 year term. The following tables compares 200,000 square feet at Wallace with 200,000 square feet of downtown leased space over 5 years, as well as 50,000 square feet at both locations. Both scenarios indicate a considerable savings for utilizing Wallace versus downtown leased space.

Wallace Building Own versus Lease Comparison		Cost per Square Foot per Year	Annual Cost	5-Year Cost
No. of Years for Analysis	5			
Rentable Square Feet	200,000			
Wallace Building		\$11.25	\$2,250,752	\$11,253,759
Downtown Lease w/Parking		\$17.57	\$3,514,000	\$17,570,000
Estimated Savings for Mercy		\$6.32	\$1,263,248.16	\$6,316,240.79

Wallace Building Own versus Lease Comparison		Cost per Square Foot per Year	Annual Cost	5-Year Cost
No. of Years for Analysis	10			
Rentable Square Feet	50,000			
Mercy Capitol Building		\$11.25	\$562,688	\$2,813,440
Downtown Lease w/Parking		\$14.79	\$739,500	\$3,697,500
Estimated Savings for Mercy		\$3.54	\$176,812.04	\$884,060.20

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Summary

These evaluations, in all cases, indicate a cost savings to utilize Mercy Capitol for 10 years and Wallace for 5 years over downtown leased space, even when considering eventual demolition costs for the buildings. There are subjective issues, which cannot be easily evaluated on a financial basis, such as windows or lack of window, configuration of existing spaces and relationships between staff and facilities on the Capitol Complex or in other areas of Des Moines. Overall, however, this analysis suggests that continued utilization of existing state owned buildings is more cost effective than leasing additional space. Some relocation of agencies on the Capitol Complex to better use these buildings may be necessary or appropriate, but the effort invested in such reconfigurations is expected to be worthwhile for the short term, while options for funding long term space needs, such as replacement of existing buildings as recommended in the 2010 Capitol Complex Master Plan, can be identified.

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Senate File 2389

Sec. 48. DEPARTMENT OF ADMINISTRATIVE SERVICES == OFFICE SPACE REQUEST FOR PROPOSALS.

1. The department of administrative services shall issue a request for proposals concerning the availability and cost of office space for state employees in downtown Des Moines and in other areas in close proximity to the state capitol complex. The department shall consider the advantages of locating state employees and their functions near the state capitol complex.

2. In issuing the request for proposals, the department shall examine current leases for office space within the greater Des Moines area, determine the current length and duration of those leases, and consider the number of state employees impacted by those leases.

3. The request for proposals shall ensure that any office space selected shall meet all of the following criteria:

a. The building which includes the office space has skywalk access.

b. The building which includes the office space is located within reasonable proximity to the free shuttle service route that includes transportation between the capitol complex and the downtown Des Moines area.

c. The entity leasing office space provides adequate parking to employees utilizing the office space which is within reasonable proximity to the office space.

d. The office space is energy efficient.

e. The office space provides adequate space and resources needed for the employees intending to occupy the office space.

4. The department of administrative services shall issue the request for proposals by December 1, 2010, and shall submit

a written report to the general assembly concerning the request for proposals by January 14, 2011.

Sec. 49. DEPARTMENT OF ADMINISTRATIVE SERVICES == OFFICE SPACE == COST=BENEFIT ANALYSIS.

1. a. The department of administrative services shall conduct a cost=benefit analysis of utilizing existing office space for state employees in downtown Des Moines and other areas in close proximity to the state capitol complex in lieu of replacing or renovating the Wallace Building or relocating any state agencies to any space in the mercy capitol hospital building. The cost=benefit analysis shall include consideration of any cost to the applicable local jurisdiction arising from the state's utilization of existing office space.

b. The department of administrative services shall submit a written report to the general assembly on the cost=benefit analysis by January 14, 2011.

Note: The following language was vetoed by Governor Culver:

2. Prior to submitting the cost=benefit analysis report required by this section, the department of administrative services shall not relocate any state agencies to space in the Mercy capitol hospital building other than any of the following:

a. A centralized department of corrections pharmacy. b. Offices of a state agency currently located in a state=owned office building.

c. Any state employee located in a nonleased facility or space.

d. A nonstate agency.

e. The office of the insurance division of the department of commerce.

f. The agricultural development authority established in section 175.3.

g. The department for the blind storage facility.

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Governor Culver's Veto Language:

April 26, 2010

The Honorable Michael Mauro
Secretary of State
State Capitol Building
L O C A L

Dear Mr. Secretary:

I hereby transmit Senate File 2389, an Act relating to and making, reducing, and transferring appropriations to state departments and agencies from the rebuild Iowa infrastructure fund, the technology reinvestment fund, the revenue bonds capitals fund, the revenue bonds capitals II fund, the FY 2009 prison bonding fund, and other funds, creating the Iowa jobs II program, and the revenue bonds federal subsidy holdback fund, providing for related matters, and providing an effective date. Senate File 2389 is approved on this date, with the exception noted below, which I hereby disapprove.

I am unable to approve paragraph 2 of section 49 of this bill in its entirety. This paragraph imposes certain time restrictions on the ability of the Department of Administrative Services (DAS) to relocate certain state agencies to space in the Mercy Capitol building. I am supportive of those sections of this bill that obligate DAS to undertake cost-benefit analyses before making certain agency relocation decisions, as presented under this section of the bill. However, if paragraph 2 of section 49 of this bill were to be implemented, taxpayer money would not be used in the most efficient manner possible, and certain administrative actions and expenses that had been undertaken prior to the passage of this bill would be unduly interfered with, resulting in the waste of taxpayer funds. For example, DAS has already expended funds and entered into agreements to purchase new telephones and to install new telephone lines into Mercy Capitol. A state agency that has already budgeted for its move to this building will save \$143,000 in annual rental payments, but would be prevented from doing so under this paragraph. The disapproval action I have described will allow DAS to save taxpayer money while prudently investing in Mercy Capitol and in the tenancies of state agencies that will reside there, on a cost-beneficial basis, in coming years.

For the above reasons, I respectfully disapprove the designated item in accordance with Article III, Section 16 of the Constitution of the State of Iowa. All other items in Senate File 2389 are hereby approved this date.

Sincerely,

Chester J. Culver
Governor

CJC:jd

Cc: Secretary of the Senate
Chief Clerk of the House

Proposals received in the Downtown RFP process provided cost information for downtown office space, which have been evaluated based on several scenarios. Cost evaluations for each scenario follow, with further details included in Exhibit B—Assumptions:

Scenario 1 assumes no tenant improvement costs and no costs for parking. Annual costs per square foot of rentable space would range from a low of \$13.69 to a high of \$18.39 and the total cost over 10 years for 200,000 square feet of space would range from \$30.7 to \$34.5 million.

Scenario 1 *							
5 Year Term							
Option	Rentable Square Feet	Low Annual Cost per Square Foot	Low Annual Cost over 5 Years	Low 5-Year Total Cost	High Annual Cost per Square Foot	High Annual Cost over 5 Years	High 5-Year Total Cost
Option 1	5,000	\$13.89	\$69,440	\$347,200	\$18.39	\$91,940	\$459,700
Option 2	50,000	\$13.89	\$694,420	\$3,472,100	\$17.44	\$871,920	\$4,359,600
Option 3	100,000	\$14.58	\$1,458,045	\$7,290,226	\$17.44	\$1,743,860	\$8,719,300
Option 4	150,000	\$14.89	\$2,233,280	\$11,166,400	\$17.44	\$2,615,780	\$13,078,900
Option 5	200,000	\$15.54	\$3,107,700	\$15,538,500	\$17.44	\$3,487,700	\$17,438,500
10 Year Term							
Option	Rentable Square Feet	Low Annual Cost per SF	Low Annual Cost over 10 Years	Low 10-Year Total Cost	High Annual Cost per SF	High Annual Cost over 10 Years	High 10-Year Total Cost
Option 1	5,000	\$13.69	\$68,470	\$684,700	\$18.19	\$90,970	\$909,700
Option 2	50,000	\$13.69	\$684,710	\$6,847,100	\$17.24	\$862,210	\$8,622,100
Option 3	100,000	\$14.39	\$1,438,623	\$14,386,226	\$17.24	\$1,724,430	\$17,244,300
Option 4	150,000	\$14.69	\$2,204,140	\$22,041,400	\$17.24	\$2,586,640	\$25,866,400
Option 5	200,000	\$15.34	\$3,068,850	\$30,688,500	\$17.24	\$3,448,850	\$34,488,500
*Criteria for Scenario 1							
\$0	Tenant Improvement Allowance (0 or \$10/Sq. Ft.)						
0	Parking (0 or 3.5 per 1000)						

Scenario 2 assumes no tenant improvement costs and 3.5 parking spaces per 1000 rentable square feet of space (\$50/month per space). Annual costs per square foot of rentable space would range from a low of \$13.69 to a high of \$20.49 and the total cost over 10 years for 200,000 square feet of space would range from \$34.8 to \$38.7 million.

Scenario 2 *							
5 Year Term							
Option	Rentable Square Feet	Low Annual Cost per Square Foot	Low Annual Cost over 5 Years	Low 5-Year Total Cost	High Annual Cost per Square Foot	High Annual Cost over 5 Years	High 5-Year Total Cost
Option 1	5,000	\$13.89	\$69,440	\$347,200	\$20.49	\$102,440	\$512,200
Option 2	50,000	\$14.79	\$739,420	\$3,697,100	\$19.54	\$976,920	\$4,884,600
Option 3	100,000	\$16.68	\$1,668,045	\$8,340,226	\$19.54	\$1,953,860	\$9,769,300
Option 4	150,000	\$16.99	\$2,548,280	\$12,741,400	\$19.54	\$2,930,780	\$14,653,900
Option 5	200,000	\$17.57	\$3,514,367	\$17,571,833	\$19.54	\$3,907,700	\$19,538,500
10 Year Term							
Option	Rentable Square Feet	Low Annual Cost per SF	Low Annual Cost over 10 Years	Low 10-Year Total Cost	High Annual Cost per SF	High Annual Cost over 10 Years	High 10-Year Total Cost
Option 1	5,000	\$13.69	\$68,470	\$684,700	\$20.29	\$101,470	\$1,014,700
Option 2	50,000	\$14.59	\$729,710	\$7,297,100	\$19.34	\$967,210	\$9,672,100
Option 3	100,000	\$16.49	\$1,648,623	\$16,486,226	\$19.34	\$1,934,430	\$19,344,300
Option 4	150,000	\$16.79	\$2,519,140	\$25,191,400	\$19.34	\$2,901,640	\$29,016,400
Option 5	200,000	\$17.38	\$3,475,517	\$34,755,167	\$19.34	\$3,868,850	\$38,688,500
*Criteria for Scenario 2							
\$0	Tenant Improvement Allowance (0 or \$10/Sq. Ft.)						
3.5	Parking (0 or 3.5 spaces per 1000 at \$50/month per space)						

Scenario 3 assumes tenant improvement costs at \$10 per rentable square foot and no costs for parking. Annual costs per square foot of rentable space would range from a low of \$13.90 to a high of \$19.44 and the total cost over 10 years for 200,000 square feet of space would range from \$32.7 to \$36.5 million.

Scenario 3 *							
5 Year Term							
Option	Rentable Square Feet	Low Annual Cost per Square Foot	Low Annual Cost over 5 Years	Low 5-Year Total Cost	High Annual Cost per Square Foot	High Annual Cost over 5 Years	High 5-Year Total Cost
Option 1	5,000	\$13.90	\$69,500	\$347,500	\$19.44	\$97,190	\$485,950
Option 2	50,000	\$13.90	\$695,000	\$3,475,000	\$19.44	\$971,920	\$4,859,600
Option 3	100,000	\$14.58	\$1,458,045	\$7,290,226	\$19.44	\$1,943,860	\$9,719,300
Option 4	150,000	\$16.89	\$2,533,280	\$12,666,400	\$19.44	\$2,915,780	\$14,578,900
Option 5	200,000	\$17.54	\$3,507,700	\$17,538,500	\$19.44	\$3,887,700	\$19,438,500
10 Year Term							
Option	Rentable Square Feet	Low Annual Cost per SF	Low Annual Cost over 10 Years	Low 10-Year Total Cost	High Annual Cost per SF	High Annual Cost over 10 Years	High 10-Year Total Cost
Option 1	5,000	\$13.90	\$69,500	\$695,000	\$18.24	\$91,220	\$912,200
Option 2	50,000	\$13.90	\$695,000	\$6,950,000	\$18.24	\$912,210	\$9,122,100
Option 3	100,000	\$14.39	\$1,438,623	\$14,386,226	\$18.24	\$1,824,430	\$18,244,300
Option 4	150,000	\$15.69	\$2,354,140	\$23,541,400	\$18.24	\$2,736,640	\$27,366,400
Option 5	200,000	\$16.34	\$3,268,850	\$32,688,500	\$18.24	\$3,648,850	\$36,488,500
*Criteria for Scenario 3							
\$10	Tenant Improvement Allowance (0 or \$10/Sq. Ft.)						
0	Parking (0 or 3.5 spaces per 1000 at \$50/month per space)						

Scenario 4 assumes tenant improvement costs at \$10 per rentable square foot and 3.5 parking spaces per 1000 rentable square feet of space (\$50/month per space). Annual costs per square foot of rentable space would range from a low of \$14.69 to a high of \$21.54 and the total cost over 10 years for 200,000 square feet of space would range from \$36.8 to \$40.7 million.

Scenario 4 *							
5 Year Term							
Option	Rentable Square Feet	Low Annual Cost per Square Foot	Low Annual Cost over 5 Years	Low 5-Year Total Cost	High Annual Cost per Square Foot	High Annual Cost over 5 Years	High 5-Year Total Cost
Option 1	5,000	\$14.80	\$74,000	\$370,000	\$21.54	\$107,690	\$538,450
Option 2	50,000	\$15.83	\$791,394	\$3,956,968	\$21.54	\$1,076,920	\$5,384,600
Option 3	100,000	\$16.68	\$1,668,045	\$8,340,226	\$21.54	\$2,153,860	\$10,769,300
Option 4	150,000	\$18.99	\$2,848,280	\$14,241,400	\$21.54	\$3,230,780	\$16,153,900
Option 5	200,000	\$19.57	\$3,914,367	\$19,571,833	\$21.54	\$4,307,700	\$21,538,500
10 Year Term							
Option	Rentable Square Feet	Low Annual Cost per SF	Low Annual Cost over 10 Years	Low 10-Year Total Cost	High Annual Cost per SF	High Annual Cost over 10 Years	High 10-Year Total Cost
Option 1	5,000	\$14.69	\$73,470	\$734,700	\$20.34	\$101,720	\$1,017,200
Option 2	50,000	\$15.59	\$779,710	\$7,797,100	\$20.34	\$1,017,210	\$10,172,100
Option 3	100,000	\$16.49	\$1,648,623	\$16,486,226	\$20.34	\$2,034,430	\$20,344,300
Option 4	150,000	\$17.79	\$2,669,140	\$26,691,400	\$20.34	\$3,051,640	\$30,516,400
Option 5	200,000	\$18.38	\$3,675,517	\$36,755,167	\$20.34	\$4,068,850	\$40,688,500
*Criteria for Scenario 4							
\$10	Tenant Improvement Allowance (0 or \$10/Sq. Ft.)						
3.5	Parking (0 or 3.5 spaces per 1000 at \$50/month per space)						

RFP for Leased Office Space in Downtown Des Moines

On May 21,2010, DAS Purchasing issued RFP RFP0010005028, LEASED OFFICE SPACE IN DOWNTOWN DES MOINES FOR STATE EXECUTIVE BRANCH AGENCIES. (A copy of the RFP is included as EXHIBIT A.) On June 17, 2010, the department received eleven proposals offering space at 10 locations. (One location was offered by two proposers.) The Issuing Officer for DAS Purchasing reviewed the proposals initially for general compliance with the proposal requirements and forwarded all eleven proposals on to the department’s three member selection team.

The selection team followed a three-step evaluation process:

- 1) Proposals and offered facilities were initially reviewed and evaluated by the department’s selection committee, including site visits and meetings with representatives of the proposed facilities.
- 2) Shortlisted facilities were evaluated by the selection committee as well as by representatives of selected agencies considered to be prospective tenants of the spaces, including site visits and meetings with representatives of the shortlisted facilities.
- 3) The selection committee further evaluated the shortlisted proposals and facilities with input from prospective tenants and issued a recommendation.

A Notice of Intent to Award was issued on December 6, 2010 (refer to Exhibit C). Further negotiations, however, are on hold, pending consideration of other alternatives.. Additional information on the proposals received will be provided upon request.

To fairly evaluate costs, hypothetical options and scenarios were established and the proposal costs were calculated using these options and scenarios:

Options for Evaluation

Option to be Analyzed	Rentable Square Feet
Option 1	5,000
Option 2	50,000
Option 3	100,000
Option 4	150,000
Option 5	200,000

Scenarios for Evaluation

Scenario to be Analyzed	Scenario Factors
Scenario 1	No Tenant Improvement Costs; No Parking Costs
Scenario 2	No Tenant Improvement Costs; 3.5 Parking Spaces per 1,000 Square Feet
Scenario 3	\$10 per Square Foot Tenant Improvement Costs; No Parking Costs
Scenario 4	\$10 per Square Foot Tenant Improvement Costs; 3.5 Parking Spaces per 1,000 Square Feet

The results of the cost evaluation are included on the following pages.

Scenario 1 Assumptions for Downtown Office Space RFP						
For Scenario 1:	Net Square Feet vs. Rentable Square Feet		Parking Requirements		For Scenario 1:	
	1.17	Rentable to Net Factor	3.5	Parking Spaces Per 1000 Rentable Sq. Ft.	0	Parking Spaces Per 1000 Rentable Sq. Ft.
Costs for moving and for tenant improvements have been included as follows where move costs or tenant improvements are not included in the proposal:	4,274 NSF	Option 1: 5,000 RSF	18	Option 1: 5,000 RSF	Costs for parking have been included as follows where parking is not included in the proposal:	
	42,735 NSF	Option 2: 50,000 RSF	175	Option 2: 50,000 RSF		
	85,470 NSF	Option 3: 100,000 RSF	350	Option 3: 100,000 RSF		
	128,205 NSF	Option 4: 150,000 RSF	525	Option 4: 150,000 RSF		
	170,940 NSF	Option 5: 200,000 RSF	700	Option 5: 200,000 RSF		
	Estimated Number of Employees		Estimated Parking Costs Per Year (Surface Parking)		Parking	
	220	Net Square Feet per Employee	\$50	Surface Parking Per Month	Cost Per Sq. Ft.	Cost Per Year
	19 Employees	Option 1: 5,000 RSF	\$10,500 per Year	Option 1: 5,000 RSF	\$0.00	\$0
	194 Employees	Option 2: 50,000 RSF	\$105,000 per Year	Option 2: 50,000 RSF	\$0.00	\$0
	389 Employees	Option 3: 100,000 RSF	\$210,000 per Year	Option 3: 100,000 RSF	\$0.00	\$0
583 Employees	Option 4: 150,000 RSF	\$315,000 per Year	Option 4: 150,000 RSF	\$0.00	\$0	
777 Employees	Option 5: 200,000 RSF	\$420,000 per Year	Option 5: 200,000 RSF	\$0.00	\$0	
Move Costs	Allowance For Move Costs		Estimated Parking Costs Per Year (Covered Parking)			
Cost Per Sq. Ft.	\$500	Move Cost Per Employee	\$115	Covered Parking Per Month		
\$1.94	\$9,700	Option 1: 5,000 RSF	\$24,150	Option 1: 5,000 RSF		
\$1.94	\$97,100	Option 2: 50,000 RSF	\$241,500	Option 2: 50,000 RSF		
\$1.94	\$194,300	Option 3: 100,000 RSF	\$483,000	Option 3: 100,000 RSF		
\$1.94	\$291,400	Option 4: 150,000 RSF	\$724,500	Option 4: 150,000 RSF		
\$1.94	\$388,500	Option 5: 200,000 RSF	\$966,000	Option 5: 200,000 RSF		
	Note: Move costs are included above.		Note: Parking costs are not included unless noted.			
Tenant Improvements	Allowance For Tenant Improvement Costs					
Cost Per Sq. Ft.	\$10	Allowance per Square Foot				
\$0.00	\$50,000	Option 1: 5,000 RSF				
\$0.00	\$500,000	Option 2: 50,000 RSF				
\$0.00	\$1,000,000	Option 3: 100,000 RSF				
\$0.00	\$1,500,000	Option 4: 150,000 RSF				
\$0.00	\$2,000,000	Option 5: 200,000 RSF				
	Note: Tenant improvement costs are not included unless noted.					

Scenario 2 Assumptions for Downtown Office Space RFP						
For Scenario 2:	Net Square Feet vs. Rentable Square Feet		Parking Requirements		For Scenario 2:	
	1.17	Rentable to Net Factor	3.5	Parking Spaces Per 1000 Rentable Sq. Ft.	3.5 Parking Spaces Per 1000 Rentable Sq. Ft.	
Costs for moving and for tenant improvements have been included as follows where move costs or tenant improvements are not included in the proposal:	4,274 NSF	Option 1: 5,000 RSF	18	Option 1: 5,000 RSF	Costs for parking have been included as follows where parking is not included in the proposal:	
	42,735 NSF	Option 2: 50,000 RSF	175	Option 2: 50,000 RSF		
	85,470 NSF	Option 3: 100,000 RSF	350	Option 3: 100,000 RSF		
	128,205 NSF	Option 4: 150,000 RSF	525	Option 4: 150,000 RSF		
	170,940 NSF	Option 5: 200,000 RSF	700	Option 5: 200,000 RSF		
	Estimated Number of Employees		Estimated Parking Costs Per Year (Surface Parking)			Parking
	220	Net Square Feet per Employee	\$50	Surface Parking Per Month	Cost Per Sq. Ft.	Cost Per Year
	19 Employees	Option 1: 5,000 RSF	\$10,500 per Year	Option 1: 5,000 RSF	\$2.10	\$10,500
	194 Employees	Option 2: 50,000 RSF	\$105,000 per Year	Option 2: 50,000 RSF	\$2.10	\$105,000
	389 Employees	Option 3: 100,000 RSF	\$210,000 per Year	Option 3: 100,000 RSF	\$2.10	\$210,000
583 Employees	Option 4: 150,000 RSF	\$315,000 per Year	Option 4: 150,000 RSF	\$2.10	\$315,000	
777 Employees	Option 5: 200,000 RSF	\$420,000 per Year	Option 5: 200,000 RSF	\$2.10	\$420,000	
Move Costs		Allowance For Move Costs		Estimated Parking Costs Per Year (Covered Parking)		
Cost Per Sq. Ft.	\$500	Move Cost Per Employee	\$115	Covered Parking Per Month		
\$1.94	\$9,700	Option 1: 5,000 RSF	\$24,150	Option 1: 5,000 RSF		
\$1.94	\$97,100	Option 2: 50,000 RSF	\$241,500	Option 2: 50,000 RSF		
\$1.94	\$194,300	Option 3: 100,000 RSF	\$483,000	Option 3: 100,000 RSF		
\$1.94	\$291,400	Option 4: 150,000 RSF	\$724,500	Option 4: 150,000 RSF		
\$1.94	\$388,500	Option 5: 200,000 RSF	\$966,000	Option 5: 200,000 RSF		
Note: Move costs are included above.			Note: Parking costs are not included unless noted.			
Tenant Improvements		Allowance For Tenant Improvement Costs				
Cost Per Sq. Ft.	\$10	Allowance per Square Foot				
\$0.00	\$50,000	Option 1: 5,000 RSF				
\$0.00	\$500,000	Option 2: 50,000 RSF				
\$0.00	\$1,000,000	Option 3: 100,000 RSF				
\$0.00	\$1,500,000	Option 4: 150,000 RSF				
\$0.00	\$2,000,000	Option 5: 200,000 RSF				
Note: Tenant improvement costs are not included unless noted.						

Scenario 3 Assumptions for Downtown Office Space RFP						
For Scenario 3:	Net Square Feet vs. Rentable Square Feet		Parking Requirements		For Scenario 3:	
	1.17	Rentable to Net Factor	3.5	Parking Spaces Per 1000 Rentable Sq. Ft.	0 Parking Spaces Per 1000 Rentable Sq. Ft.	
Costs for moving and for tenant improvements have been included as follows where move costs or tenant improvements are not included in the proposal:	4,274 NSF	Option 1: 5,000 RSF	18	Option 1: 5,000 RSF	Costs for parking have been included as follows where parking is not included in the proposal:	
	42,735 NSF	Option 2: 50,000 RSF	175	Option 2: 50,000 RSF		
	85,470 NSF	Option 3: 100,000 RSF	350	Option 3: 100,000 RSF		
	128,205 NSF	Option 4: 150,000 RSF	525	Option 4: 150,000 RSF		
	170,940 NSF	Option 5: 200,000 RSF	700	Option 5: 200,000 RSF		
	Estimated Number of Employees		Estimated Parking Costs Per Year (Surface Parking)			Parking
	220	Net Square Feet per Employee	\$50	Surface Parking Per Month	Cost Per Sq. Ft.	Cost Per Year
	19 Employees	Option 1: 5,000 RSF	\$10,500 per Year	Option 1: 5,000 RSF	\$0.00	\$0
	194 Employees	Option 2: 50,000 RSF	\$105,000 per Year	Option 2: 50,000 RSF	\$0.00	\$0
	389 Employees	Option 3: 100,000 RSF	\$210,000 per Year	Option 3: 100,000 RSF	\$0.00	\$0
583 Employees	Option 4: 150,000 RSF	\$315,000 per Year	Option 4: 150,000 RSF	\$0.00	\$0	
777 Employees	Option 5: 200,000 RSF	\$420,000 per Year	Option 5: 200,000 RSF	\$0.00	\$0	
Move Costs		Allowance For Move Costs		Estimated Parking Costs Per Year (Covered Parking)		
Cost Per Sq. Ft.	\$500	Move Cost Per Employee	\$115	Covered Parking Per Month		
\$1.94	\$9,700	Option 1: 5,000 RSF	\$24,150	Option 1: 5,000 RSF		
\$1.94	\$97,100	Option 2: 50,000 RSF	\$241,500	Option 2: 50,000 RSF		
\$1.94	\$194,300	Option 3: 100,000 RSF	\$483,000	Option 3: 100,000 RSF		
\$1.94	\$291,400	Option 4: 150,000 RSF	\$724,500	Option 4: 150,000 RSF		
\$1.94	\$388,500	Option 5: 200,000 RSF	\$966,000	Option 5: 200,000 RSF		
	Note: Move costs are included above.		Note: Parking costs are not included unless noted.			
Tenant Improvements		Allowance For Tenant Improvement Costs				
Cost Per Sq. Ft.	\$10	Allowance per Square Foot				
\$10.00	\$50,000	Option 1: 5,000 RSF				
\$10.00	\$500,000	Option 2: 50,000 RSF				
\$10.00	\$1,000,000	Option 3: 100,000 RSF				
\$10.00	\$1,500,000	Option 4: 150,000 RSF				
\$10.00	\$2,000,000	Option 5: 200,000 RSF				
	Note: Tenant improvement costs are not included unless noted.					

Scenario 4 Assumptions for Downtown Office Space RFP						
For Scenario 4:	Net Square Feet vs. Rentable Square Feet		Parking Requirements		For Scenario 4:	
	1.17	Rentable to Net Factor	3.5	Parking Spaces Per 1000 Rentable Sq. Ft.	3.5 Parking Spaces Per 1000 Rentable Sq. Ft.	
Costs for moving and for tenant improvements have been included as follows where move costs or tenant improvements are not included in the proposal:	4,274 NSF	Option 1: 5,000 RSF	18	Option 1: 5,000 RSF	Costs for parking have been included as follows where parking is not included in the proposal:	
	42,735 NSF	Option 2: 50,000 RSF	175	Option 2: 50,000 RSF		
	85,470 NSF	Option 3: 100,000 RSF	350	Option 3: 100,000 RSF		
	128,205 NSF	Option 4: 150,000 RSF	525	Option 4: 150,000 RSF		
	170,940 NSF	Option 5: 200,000 RSF	700	Option 5: 200,000 RSF		
	Estimated Number of Employees		Estimated Parking Costs Per Year (Surface Parking)			Parking
	220	Net Square Feet per Employee	\$50	Surface Parking Per Month	Cost Per Sq. Ft.	Cost Per Year
	19 Employees	Option 1: 5,000 RSF	\$10,500 per Year	Option 1: 5,000 RSF	\$2.10	\$10,500
	194 Employees	Option 2: 50,000 RSF	\$105,000 per Year	Option 2: 50,000 RSF	\$2.10	\$105,000
	389 Employees	Option 3: 100,000 RSF	\$210,000 per Year	Option 3: 100,000 RSF	\$2.10	\$210,000
583 Employees	Option 4: 150,000 RSF	\$315,000 per Year	Option 4: 150,000 RSF	\$2.10	\$315,000	
777 Employees	Option 5: 200,000 RSF	\$420,000 per Year	Option 5: 200,000 RSF	\$2.10	\$420,000	
Move Costs	Allowance For Move Costs		Estimated Parking Costs Per Year (Covered Parking)			
Cost Per Sq. Ft.	\$500	Move Cost Per Employee	\$115	Covered Parking Per Month		
\$1.94	\$9,700	Option 1: 5,000 RSF	\$24,150	Option 1: 5,000 RSF		
\$1.94	\$97,100	Option 2: 50,000 RSF	\$241,500	Option 2: 50,000 RSF		
\$1.94	\$194,300	Option 3: 100,000 RSF	\$483,000	Option 3: 100,000 RSF		
\$1.94	\$291,400	Option 4: 150,000 RSF	\$724,500	Option 4: 150,000 RSF		
\$1.94	\$388,500	Option 5: 200,000 RSF	\$966,000	Option 5: 200,000 RSF		
	Note: Move costs are included above.		Note: Parking costs are not included unless noted.			
Tenant Improvements	Allowance For Tenant Improvement Costs					
Cost Per Sq. Ft.	\$10	Allowance per Square Foot				
\$10.00	\$50,000	Option 1: 5,000 RSF				
\$10.00	\$500,000	Option 2: 50,000 RSF				
\$10.00	\$1,000,000	Option 3: 100,000 RSF				
\$10.00	\$1,500,000	Option 4: 150,000 RSF				
\$10.00	\$2,000,000	Option 5: 200,000 RSF				
	Note: Tenant improvement costs are not included unless noted.					